

1 our customers. I'm the president of the company and there
2 are two levels of organization between the customer and me.
3 We have managers and we have workers and me, and that's the
4 organization. I have 15 people who report directly to me,
5 and then there's about 65 people who report to those 15, and
6 that's our corporation. We have a board of directors of 7
7 people, including me.

8 So we're close to customers, cost structures are
9 low, we make fast decisions.

10 DOCTOR MICHEL GUILTE: I also think that there is a
11 sort of ideological romanticism in urban markets about what
12 rural America is, and especially where there's big policy
13 issues at stake, it's easy to say, well, what about those
14 people at the end of that country road?

15 But, in fact, that country road has the same
16 complicated demographics that a lot of urban and suburban
17 streets have.

18 I'd heard revocative presentation about Maine and
19 I'm sympathetic to those islanders, but I also know what
20 some of those island phone properties are going for sale
21 for, and if you have to pay \$100 million to buy it, it just
22 can't be that poor.

23 So the fact is we're in a tremendously rich
24 country and the richness of it goes right to the end of the
25 road in every state of the union. Of course, we can find a

1 few examples. Of course, there is a trapper's cottage
2 somewhere in Alaska where there's no phone service and, of
3 course, you can find half a percentage point of cases where
4 you just can't get there, but the word, rural America,
5 really is often misused.

6 And what we see in Vermont, and we have some of
7 the most rural parts of Vermont, is that there is a lot of
8 really demanding people that are being served by lots and
9 lots and lots of competition. I don't know a single village
10 in our service area that doesn't have at least four ISPs,
11 for example, out there fighting for every single customer.

12 THE HONORABLE JACK R. GOLDBERG: Does this country
13 have an obligation to ensure that that trapper in Alaska is
14 served, or is that something that we leave to the market?

15 DOCTOR MICHEL GUITE: Well, I think, maybe, but
16 that's way outside my kind of realm of concerns. I'm just
17 worried about my 14 towns in rural Vermont and those people
18 call them kind of the end of the road, and they aren't at
19 all the end of the road. They're really prosperous, busy,
20 bustling places where people have moderately high incomes
21 and middle incomes, and they want to spend that money and
22 getting their kids the best education they're demanding.

23 And when the MCIs and Sprints of the world say,
24 gee, they're not going to get served if you don't do X, Y,
25 Z, my answer is it's complete nonsense, and market values

1 for those properties prove it.

2 THE HONORABLE JACK R. GOLDBERG: By the way, just
3 for the record, there is no more MCI. They've dropped that
4 from their name and they're now known as Worldcom.

5 Commissioner Perlman.

6 THE HONORABLE BRETT A. PERLMAN: Yeah. I didn't
7 really have a question, but really just a comment, which I
8 think this has been really one of the more interesting
9 panels in the sense that we've heard about real needs and
10 real communities, and I think at the end of the day that's
11 really what this is all about.

12 So I salute all of you for that focus. I think
13 that's a very important focus, and I guess my only question
14 is, can I get a VTel hat?

15 (Laughter.)

16 DOCTOR MICHEL GUITE: If anybody wants a VTel hat
17 you just simply e-mail me and we'll send you one, and of
18 course you can get one.

19 THE HONORABLE JACK R. GOLDBERG: And now I'm going
20 to put somebody else on the spot.

21 Commissioner Tom Welch from Maine is the Chairman
22 of a commission in a rural state, and I'd like to hear his
23 perspective on some of these issues.

24 THE HONORABLE THOMAS L. WELCH: Well, I think one
25 of the first things that's really come up on this panel is

1 at what point should public policy intervene to drive the
2 market to somewhere where it would not otherwise go?

3 And I think what I've heard today is that we
4 shouldn't make assumptions lightly about where the market
5 will go on its own.

6 I think there will come a point, and I'm sure
7 there are some of those points in Maine and I think we've
8 heard some of them described where either the cost structure
9 or the demographics or something else about them will make
10 it so unlikely, and after a period of time we'll see that it
11 actually hasn't gotten there, that some kind of
12 intervention, preferably incentive mechanisms, is going to
13 be necessary.

14 But I think we do make assumptions about who needs
15 what at our peril in this business, and I think creating
16 perhaps the first and most important step is one that Ken
17 mentioned. Let's make sure we're not either handicapping
18 the field or impeding its development before we decide to
19 lay out several more billions of dollars, which may create
20 its own set of political issues and make it more difficult
21 when you do identify the particular areas that really do
22 need support, to actually get support to them.

23 So I guess, based on what I've heard, my
24 preference is to think about -- you know, let the market
25 work, think about the targets that you're going to need, try

1 to identify the services that you think you really want out
2 there or the category of services, and not try to impose a
3 solution right now, that may have the effect of impeding the
4 market development and ultimately making it very difficult
5 to reach those particular locations with particular people
6 who can't afford to get the services.

7 THE HONORABLE JACK R. GOLDBERG: Thank you.

8 Do we have any other questions in the audience?

9 Okay, Commissioner, Perlman.

10 THE HONORABLE BRETT A. PERLMAN: In the NECA
11 presentation this morning there was a chart in here that I'm
12 looking for that -- a pie chart that laid out kind of the
13 potential DSL rural market. It was Page 4 of the NECA
14 presentation.

15 And I was just wondering how typical this data is
16 for some of the rural Telcos. It said that on average
17 45 percent of the lines are under 13,000 feet, 7 percent are
18 greater than 34,000 feet, and 46 percent are between 13 and
19 34. And I think what that indicated is, you know, there
20 were different technological solutions to reach different
21 types of customers.

22 And is that pretty typical of what you're finding
23 in Vermont or in the Berkshires, and how are you addressing
24 the fact that people have different loop points and how are
25 you able to serve those customers, particularly on the end

1 of the wrong loop?

2 DOCTOR MICHEL GUILTE: I heard, also, that NECA
3 comment that Paradine has a technology for over 30,000-foot
4 loop points, and I didn't know that previously. But so far,
5 we've gone to our customers and said, anything that's, I
6 believe, under 18- or 19-thousand feet can get served, and
7 we're rolling that out, and that's about 75 to 78 percent of
8 our total customer base.

9 My belief is, that as we get to that 15 or so
10 percent penetration, then those numbers will be moving up
11 and we'll be able to get to 80 or 90 percent, the customer
12 base, within the next couple of years or so. But I hadn't
13 thought of using a different technology, and I don't know
14 how complex it is at the CO to have two different
15 technologies.

16 MS. CHRISTA M. PROPER: In Richmond, it's really
17 not an issue, because all 1200 of our access lines are in a
18 15,000 square feet radius, so we really don't -- we'll be
19 able to serve all 1200 customers of DSL, if they'd like the
20 DSL product, which we're hoping that they will. And we're
21 reselling DSL on the CLEC side, so right now that's not an
22 issue.

23 THE HONORABLE JACK R. GOLDBERG: Larry Strickling.

24 MR. LAWRENCE E. STRICKLING: Well, I'm struck by
25 the fact that -- and this is really directed to the small

1 telephone companies on the panel -- that you're able to
2 offer your service in these rural areas at least as cheaply
3 and in some cases maybe more cheaply than the large
4 incumbents are able to provide it in the urban areas, and we
5 also heard that the large incumbents having a much larger
6 service area are concentrating on their urban and denser
7 areas, first, before they expand to the rural areas.

8 And I guess my question is: Do you think that
9 you, as the small companies, are perhaps better able to
10 provide these advanced services in the rural areas of the
11 incumbent entering as a CLEC, like Richmond has, and do you
12 all see yourself in a better position to do that than even
13 the incumbent can do it and getting there faster; and, if
14 so, are there any particular regulatory barriers, state or
15 federal, that you see that perhaps are preventing you from
16 making that CLEC entry.

17 MS. CHRISTA M. PROPER: I think that was the
18 reason that we entered the CLEC area, was because of all the
19 regulatory requirements on the ILEC side of the house.
20 That's what forced us into the CLEC business. And we're
21 really at the planning stages of deploying our DSL product.

22 And so as far as regulatory obstacles on the CLEC
23 side, I can't really state anything on that side of the
24 fence.

25 But I think in some instances we will be more

1 competitive entering Bell Atlantic's arena and offering our
2 DSL service by putting in all facilities and leasing some of
3 their transmission equipment and some of their facilities.

4 So I think you're absolutely right in some
5 instances.

6 DOCTOR MICHEL GUITE: I look at it a little bit
7 differently.

8 If you look at the personnel accounts for the Bell
9 Operation Companies for the last 15 years, they've been
10 chopping tens and tens and tens of thousands of people every
11 two and three years. You see more numbers being cut.

12 Well, we bought our property from GTE. We bought
13 it with very few employees, so that we basically have had
14 the opportunity to remain approximately stable and to grow
15 as we need a small number of people, and they're kind of
16 coming down to a vastly more efficient set of operations.

17 So their costs are coming down to where ours are,
18 but we had the advantage of buying a property that was just
19 lines and didn't have a whole lot of costly overhead.

20 And so could we go more cheaply into the CLEC
21 area?

22 The reason we probably can is that with the new
23 FCC, I guess June 22nd, mandated loop overhead or shared
24 loop access that's out there, line sharing, if it's really
25 true that we can buy access to a loop or 5 or 6 or

1 7 dollars, it must be costing them an awful lot more than
2 that to let us have that, so that the reasons that it would
3 be cheaper for us to go into competition is that we're
4 basically getting something from them at a cost that doesn't
5 support what it's costing them to give it to us.

6 So in a way, we've been given sort of a noose
7 around their neck; so, yes, we can provide service cheaper
8 than they can, but it doesn't seem in the long run that even
9 the FCC could sustain that indefinitely, because it just
10 doesn't make any economic sense.

11 THE HONORABLE JACK R. GOLDBERG: I see people from
12 SNET sitting back there shaking their head and agreeing with
13 you.

14 MR. RODERICK N. ANSLEY: I'd just like to make a
15 comment on cost structure, as well.

16 Costs are generally driven by processes. And
17 reflecting back to my Frontier days and understanding what I
18 think are processes in a typical larger telephone company, a
19 customer who has a repair issue calls into a large call
20 center, usually hundreds of miles away from the point of
21 service, talking with someone who has no knowledge
22 whatsoever of the geographic area or any idiosyncracies of
23 the area or necessarily anything about the network in that
24 area.

25 They take some information that is some times

1 helpful to the technician who finally makes the call or
2 maybe isn't helpful to that technician.

3 But I'm trying to describe for you very quickly a
4 process that's pretty screwed up, I think.

5 Typically, the way our CLEC technician will take a
6 trouble call from a customer is that the cell phone on his
7 belt will ring, he will talk directly to the customer, he
8 will make a specific appointment with that customer, knowing
9 what his workload is for the rest of the day for the next
10 couple of hours, and will call on that customer and fix the
11 problem. There's nobody else involved until the trouble is
12 fixed. And now we track it for historical statistical
13 reasons.

14 An example of why a process in a small company
15 works better than a large company.

16 THE HONORABLE JACK R. GOLDBERG: Thanks.

17 Do we have any other questions?

18 Anybody in the audience who wishes to ask
19 questions?

20 I think we've come to the end of the day. I'll
21 turn the microphone over to Commissioner Powell.

22 I would like to say the whole day was full of very
23 useful information and this to produce the most readable,
24 interesting evidence ever issued.

25 THE HONORABLE MICHAEL K. POWELL: Well, I'm going

1 to be brief. It's been a long day and we started in the
2 introduction talking about the criticality of understanding
3 this issue in terms of its components. You'll either join
4 those components or you'll die with this problem. And I
5 think that we made some very significant progress in
6 advancing our understanding on at least what we're looking
7 for, even if we don't know what it is yet.

8 It's clear to me that we're still in a world where
9 there's more unknown than known. And I think that the
10 comments that have been echoed consistently about being
11 cautious from a regulatory standpoint when you know less
12 than you know are well-advised. But that's not to lose
13 sight of the fact that it's all done in the interest of
14 consumers and making situations like the State Senator
15 talked about have solutions.

16 And I think that that's one of the more important
17 messages that we've learned.

18 We've learned some of the specifics, like the
19 effects of teledensity and income, and we can begin to
20 understand and break those down more quickly.

21 We've learned that there are methods for
22 potentially driving further penetration, even in communities
23 that you wouldn't first imagine, like aggregation
24 strategies, which I learned a lot about.

25 And we've seen something, in Washington, I used to

1 call Big Guy Myopia.

2 We have a tendency to make policy in the name of
3 Bell Atlantic, MCI, Worldcom, Sprint and AT&T, and presume
4 that that size somehow serves as a regulatory model for
5 everyone. And despite the statistics and the academics,
6 there are success stories in rural America that need to be
7 brought to the floor and emphasized, because I think those
8 lessons can be distributed to other communities, the
9 creativity of people like yourselves, who found ways to make
10 the connection, and we need to be a conduit for distributing
11 that to others.

12 You know, it reminds me of a simple fact, that
13 rarely is significant technological change brought about by
14 large incumbents. It's almost invariably true that the
15 innovator or entrepreneur is one who refuses to -- who sees
16 a unique opportunity to succeed, but the incumbents don't,
17 or alternatively doesn't have the choice to walk away.

18 And while some of the larger companies may be able
19 to turn away from some of these markets, those who service
20 them diligently are members of the community don't.

21 And I think it's important to remember we're in an
22 infant phase of technology and where there's still
23 technological progress to be made, and innovation that can
24 be employed to solve some of these problems.

25 I mean, daily, we see new technological

1 developments to make things that they used to say couldn't
2 be done done.

3 One example, Mr. Ansley, while you were sitting
4 there talking, I e-mailed my office, I've read your
5 April 27th press release about your antenna, I have people
6 looking into where your license is. And I got all the
7 details right here on my little ---

8 (Laughter.)

9 THE HONORABLE MICHAEL K. POWELL: I had hoped I
10 would have an answer before we were done, but I'm sorry, I
11 haven't got that yet.

12 (Laughter.)

13 THE HONORABLE MICHAEL K. POWELL: But with that,
14 let me, please, just thank everyone who participated.

15 I found it an outstanding day, and to all you
16 diehard audience members who sat through the whole thing, we
17 appreciate it.

18 Thank you very, very much, and we hope we see you
19 again.

20 Thank you.

21 (Pause.)

22 (Whereupon, the hearing was concluded.)

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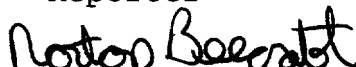
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